Health Care Reform: Then And Now

Governor Schwarzenegger's new health care reform legislation, the Health Care Security And Cost Reduction Act (the Act), reflects feedback from hundreds of meetings he and his health care team held with stakeholders and legislative leaders. The Act enhances the Governor's January 2007 proposal while maintaining its principles and core framework to fix our broken health care system.

UNIVERSAL COVERAGE

January 2007 Proposal: "All Californians will be required to have health insurance coverage. Coverage must be substantial enough to protect families against catastrophic costs as well as minimize the "cost shift" that occurs when large numbers of persons are receiving care without paying the full cost of that care." (www.fixourhealthcare.ca.gov/Governors_HC_Proposal.pdf, page 6)

The Act: Guarantees that everyone can get insurance, and strengthens provisions to make coverage more affordable for working families. (See "Affordability," below.)

AFFORDABILITY

January 2007 Proposal: "In order to maintain equity for low-income persons who are already contributing towards the cost of their care, persons with individual or employer-sponsored coverage who are between 100-250% of the poverty level will be eligible for state financial assistance through the purchasing pool." (www.fixourhealthcare.ca.gov/Governors_HC_Proposal.pdf, page 5)

"Consistent with the principle of shared responsibility, the individual's/family's contribution toward the premium [for insurance purchased from the purchasing pool] will be as follows:

- Up to 100%: Medi-Cal will be expanded to childless adults in this range.
- 100-150%: 3% of gross income
- 151-200%: 4% of gross income
- 201-250%: 6% of gross income" (www.fixourhealthcare.ca.gov/Governors_HC_Proposal.pdf, page 5)

The Act: Increases affordability for working families even further by changing the amount that low and moderate income individuals will have to pay for coverage in the state subsidized pool:

- 100-150% of poverty: No contribution
- 151-200% of poverty: premium limited to 4% of income
- 201-250% of poverty: premium limited to 5% of income
- 250-350% of poverty: tax credit if the cost of buying insurance exceeds 5% of their adjusted gross income

The state pool will also provide access to affordable coverage to: employees of employers who pay the fee; people who qualify for the tax credit; and people whose employer designates the state pool as their Section 125 plan.

GUARANTEE ISSUE

January 2007 Proposal: "Insurers will be required to guarantee coverage, with limits on how much they can charge based on age or health status, so that all individuals have access to affordable products." (www.fixourhealthcare.ca.gov/Governors_HC_Proposal.pdf, page 4)

The Act: Maintains guarantee issue by ensuring that all Californians will be able to buy health insurance regardless of their medical history or age. Like the January 2007 proposal, the Act also requires insurers to spend 85 % of premiums on medical care.

- Phases in elimination of medical rating and protects consumers against significant rate spikes based on their health status by putting parameters on what insurers can charge above or below a standard rate. Under the plan:
  - Insurers must establish a standard risk rate (SRR) which varies by age, family size and geography. The rate must be certified by actuaries.
  - Between 2010 and 2013, insurers can charge 20% above or below the SRR based on an individual's health status.
  - Between 2013 and 2016, charges can only vary by 10% based on health status.
  - After 2016, insurers cannot vary rates based on health status.
- Helps reduce the high cost of health coverage for older Californians and ensures those with coverage today can keep it.

FINANCING

Doctor's Participation

January 2007 Proposal: "Individuals, government, doctors and hospitals, insurers and employers all have equal responsibility for realizing these reforms. By promoting health and wellness, covering the uninsured and increasing affordability." (www.fixourhealthcare.ca.gov/plan)

The Act: The basic premise of shared responsibility is that everyone who benefits from the reforms must contribute in a meaningful way. Although doctors are no longer required to contribute to the financing under the Act, they have additional responsibilities and incentives to care for many newly insured individuals.

- The Governor's January 2007 proposal required that doctors contribute a 2% fee to subsidize a purchasing pool for low income Californians and, in return, receive more insured patients and higher Medi-Cal reimbursement.
- Unlike the vast majority of hospitals, many doctors don't treat Medi-Cal patients and so many doctors who contribute would never see a return on this contribution.

Employer Contribution

January 2007 Proposal: "Employers with 10 or more employees who choose not to offer health coverage will contribute an amount equal to 4% of payroll toward the cost of employees health coverage." (www.fixourhealthcare.ca.gov/Governors_HC_Proposal.pdf, page 7)

The Act: Protects small businesses by basing contributions on payroll. Under the plan employers who do not offer health care coverage will make a contribution based upon a sliding scale fee from 0-4 % based on their total payroll.

Lottery

The new legislation proposes to lease the California Lottery to help pay for health care costs. Please see, "Leasing California's Lottery" for more details.

PUBLIC HOSPITALS

January 2007 Proposal: "Counties would retain $1 billion in current funding (primarily for outpatient services) and county and UC hospitals will retain $1 billion in federal Disproportionate Share Hospital (DSH) funds and in addition, some "safety net" funds for primarily inpatient services." (www.fixourhealthcare.ca.gov/Governors_HC_Proposal.pdf, page 5)

The Act: California's public hospitals make significant financial gains under the new reforms. In addition to the funding increases included in the January 2007 proposal, the new legislation includes $500 million in additional funding for public hospitals. The Act includes protections to support county hospitals in the context of universal coverage.

MINIMUM BENEFIT

January 2007 Proposal: "The minimum health insurance benefit that must be maintained will be a $5,000 deductible plan with maximum out-of-pocket limits of $7,500 per person and $10,000 per family." (www.fixourhealthcare.ca.gov/Governors_HC_Proposal.pdf, page 6)

The Act: Does not define the minimum health insurance level. Instead, it directs the Secretary of Health and Human Services to establish and adopt the minimum benefit level via the regulatory process, which then cannot be changed except by legislative action. The minimum benefit level must: cover medical, hospital, preventive and prescription drug services; promote access to care; and must be set at a level where premiums are affordable.